



PATENT  
Application of FOLEY et al.  
Ser. No. 09/412,408  
Attorney Docket No. 35244

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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Applicants : Kevin FOLEY & Kim BANG  
Serial No. : 09/412,408  
Filed : October 5, 1999  
Title : ELECTRONIC TRADING SYSTEM SUPPORTING  
ANONYMOUS NEGOTIATION AND INDICATORS OF  
INTEREST  
Examiner : CALVIN LOYD HEWITT II Group Art Unit: 3621

Commissioner for Patents  
Technology Center 2100  
Washington, D.C. 20231

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**RESPONSE TO OFFICE ACTION  
And Request for Extension of Time**

This paper is filed in response to the Office Action mailed December 13, 2002.

**REQUEST FOR EXTENSION OF TIME**

A three-month extension of time to June 13, 2003 is requested under 37 C.F.R. §1.136(a) for filing a response to the December 13, 2002 Office Action. Please charge the extension fee of \$930 required by 37 C.F.R. §1.17 to Deposit Account No. 02-4270. Please charge any other required fee, or any deficiency in any required fee, to Deposit Account No. 02-4270.

**RESPONSE**

Applicants traverse all rejections and request reconsideration for the reasons discussed below.

Claims 1-29 are pending in the application and have been rejected in the December 13, 2003 Office Action under 35 U.S.C. § 103. Claims 16-29 were also rejected under 35 U.S.C. § 112, second paragraph.

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### **Section 112 Rejection**

The examiner contends that claims 16-29 are indefinite under 35 U.S.C. § 112 because use of the term “indication of interest” in the application is contrary to its accepted meaning. The application and claims clearly disclose and define the invention claimed in claims 16-29, and claims 16-29 are not indefinite or unclear to one of skill in the art when considered in context.

For example, page 17, lines 18-21 of the application, to which the examiner cited in the rejection, fully supports this position. Page 17, lines 18-19 state:

Unlike traditional broker-dealer IOIs in the prior art,  
the disclosed IOIs are fully executable and associated  
with the actual order.

Thus, the application itself distinguishes traditional “broker-dealer IOIs”, which are pre-registration and not executable in accordance with the definition quoted by the examiner, with “indications of interest” as used in the application, which are post-registration and the orders they represent are executable.

The application relates to electronic trading systems, which may be involved in post-registration trading of stocks and other financial instruments, or trading of non-registered financial instruments and commodities, and states that an “indication of interest” is associated with an order. See, for example, page 4, lines 13-19. Thus, one of skill in the art will understand that “indication of interest” as used in the application and claims is akin to, but different from, an “indication of interest” placed in a pre-registration of securities situation, to which the definition quoted by the examiner applies.

In view of the foregoing, we respectfully request reconsideration and withdrawal of the Section 112 rejection.

## Section 103 Rejections

### Claims 1-8

At paragraph 6 (page 3) of the December 13, 2002 Office Action, claims 1–8 were rejected under 35 U.S.C. § 103 as unpatentable over Silverman et al. US Pat. No. 5,924,082<sup>1</sup> in view of Tilfors et al. US Patent No. 6,377,940.

Claim 1 states: “the first party and a counterparty electronically agreeing to trade up to an agreed number of shares of the stock at an agreed price.” Then, claim 1 states “if there is no better trade...the system electronically executing the trade **agreed** to by the first party and the counterparty....” (Emphasis supplied.)

On the other hand, Tilfors et al. discloses two embodiments in which the prices outside the exchange are considered. In one embodiment the market maker (or primary market maker) of the exchange enters a parameter to the exchange which indicates if the market maker is prepared to give a better price, and if so how much better. If the better price which the market maker is prepared to give is better than or equal to the price offered at the other exchange, the deal is automatically closed **in the exchange** at the price offered at the other exchange. If the price is still not equal to the price offered at the other exchange, the incoming order is placed in the order book, but no match takes place directly. (See col. 1, line 51 to col. line 2 and the flow in Figs. 2 and 3.)

In another embodiment, when the other exchange offering the better price is an automated exchange, the order is automatically transferred to the exchange having the better price, and the order is processed further at that exchange, or the exchange automatically makes a deal with the other exchange and then in turn makes a deal with the customer. (See col. 2, lines 3-9 and the flow in Fig. 4.)

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<sup>1</sup> We reiterate our position set forth in the prior responses that Silverman et al. does not disclose all of the subject matter of rejected claims in which it is the primary reference except for what the examiner asserts is disclosed in the secondary reference(s).

In both Tilfors et al. embodiments, the parties within the exchange do not first agree to trade before activity takes place outside the exchange. Thus, both embodiments in Tilfors et al. lack the limitation in claim 1 that “the first party and a counterparty electronically agreeing to trade up to an agreed number of shares of the stock at an agreed price.”

For the reasons given above, it is submitted that claim 1, and with it dependent claims 2-6, are allowable over Silverman et al. and Tilfors et al.

Claim 7 claims a system comprising at least one computer which receives orders from a plurality of users of the system and orders originating from outside the system, and is programmed, *inter alia*, to:

execute a trade between a ***negotiated*** order from a user of the system and an order originating from outside the system.  
(Emphasis supplied.)

Tilfors et al., as discussed above, does not disclose executing on one side of an order negotiated in the exchange with the other side of an order originating from outside the exchange.

Therefore, it is submitted that claim 7, and with it dependent claim 8, are allowable over Silverman et al. and Tilfors et al.

#### **Claims 9-15**

Claim 9 claims a system for conducting anonymous negotiations in trading stock comprising, *inter alia*, at least one computer which receives hidden orders and public orders, and is programmed to:

support anonymous negotiations between first and second users with the hidden orders;  
to repeatedly determine whether there is a match of any one of the hidden orders with any one of the public orders; and  
to execute a pair of orders selected from the hidden orders and the public orders.

As disclosed at page 3, line 24 – page 4, line 6 (and elsewhere) in the application, an order originating inside the system is referred to as a hidden order, and may be contrasted with an order that originates outside the system,

which is referred to as a public order. The references to "hidden limit orders" cited by the examiner from Korhammer et al. relate to limit orders that a trader may not be able to hit because they are not visible on the order book, e.g., in between hittable quotes within the exchange, rather than whether the hidden limit orders originate from inside or outside of the exchange.

Korhammer et al. discloses a securities trading consolidation system where each customer uses a single trader terminal to view and analyze security market information from and to conduct security transactions with two or more ECNs or other comparable ATs, alone or in combination with one or more electronic exchanges. (See, e.g., abstract.) Korhammer et al. does not disclose treating orders originating in a system (hidden orders) differently from orders originating outside the system (public orders).

Also, Korhammer et al. does not disclose a computer programmed to repeatedly determine whether there is a match of any one of the hidden orders with any one of the public orders and to execute a pair of orders selected from the hidden orders and the public orders. Instead, Korhammer et al. discloses that a trader selects or matches trades.

Thus, neither Korhammer nor Silverman et al., discloses, either alone or in combination, the invention claimed in claim 9 for the reasons discussed above. Therefore, it is submitted that claim 9, and with it claims 10-15, are allowable over Silverman et al. and Korhammer et al.

#### **Claims 16-29**

At paragraph 8 (page 7) of the December 13, 2002 Office Action, the examiner rejected claims 16-29 under 35 U.S.C. § 103, as unpatentable over Silverman et al. in view of Fersternberg et al. US Patent No. 5,873,701 and McCausland et al. US Pat. No. 5,243,331.

Claim 26 is drawn to a method of determining interest in a stock among users which comprises a user selecting users to which the user wants to transmit an indicator-of-interest (IOI) in a stock, and the system transmitting the IOI to the selected users only when the user enters an order for the stock. Applicants' systems and methods enable, for example, different lists to be created for different stocks a user wishes to trade in, on a stock by stock basis.

In the April 15 and July 19, 2002 Office Actions, the examiner asserted that the transmission of an IOI only if an order exceeds a certain quantity is well known as traders, investors and the like use trading strategies in order to maximize their profit. Hence, the examiner stated, such a limitation is merely an automation of a known process and it would have been obvious to incorporate such a feature into the teachings of Silverman et al., as the system already provides a user with the ability to establish parameters for selectively interacting with other participants, and offers and bids.

In the response filed November 19, 2002, we pointed out that the examiner had not cited any prior art for his assertion that it is well known among traders to transmit an IOI only if an order exceeds a certain quantity, and requested that unless the examiner can provide some basis in the prior art for his contention that it is well known among traders to transmit an IOI only if an order exceeds a certain quantity, he should withdraw the rejection of claim 26 based on this contention.

The examiner has apparently cited Ferstenberg et al. to maintain the rejection of claim 26. However, Ferstenberg et al. does not disclose a user selecting users to which the user wants to transmit an indicator-of-interest (IOI) in a stock, and the system transmitting the IOI to the selected users only when the user enters an order for the stock. We do not understand the examiner's rejection of claim 26 in the December 13, 2003 Office Action to assert otherwise. As the rejection is understood, the examiner contends that a reference disclosing that an e-agent can be programmed to implement a desired trading strategy somehow suggests a user selecting users to which the user wants to transmit an indicator-of-interest (IOI) in a stock, and the system transmitting the IOI to the selected users only when the user enters an order for the stock.

Unless the examiner can point to some disclosure in Ferstenberg et al. that suggests that a user selects users to which the user wants to transmit an indicator-of-interest (IOI) in a stock, and the system transmits the IOI to the selected users only when the user enters an order for the stock, then it is submitted that that examiner has not made out a *prima facie* case of obviousness, and he is respectfully requested to withdraw the rejection. It is submitted that the disclosure in Ferstenberg et al. of programming an e-agent to implement a trading strategy that has nothing to do with the subject matter of claim 26, and does not suggest any modification of Silverman et al. that would result in the invention defined in Claim 26, does not render claim 26 obvious.

The reasoning above applies to claim 16 as well.

Therefore, it is submitted that claim 16, and with it claims 17-25, and claim 26, and with it claims 27-29, are allowable over Silverman et al. in view of Ferstenberg et al. and McCausland et al. for the reasons discussed above.

### Dependent Claims

It is submitted that the dependent claims are allowable for at least the reasons advanced for the allowability of the independent claims from which they depend. Applicants reserve the right to argue the patentability of the respective inventions claimed in the dependent claims, either in this application or a subsequent proceeding, should any of the independent claims be rejected or held invalid.

### CONCLUSION

We submit that claims 1-29 are allowable, and request prompt reconsideration and allowance of the application with claims 1-29.

Respectfully submitted,

Dated: June 13, 2003



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